Louisiana LNG Energy LLC

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February 18, 2014

VIA ELECTRONIC DELIVERY

Mr. John A. Anderson
Office of Fossil Energy
U.S. Department of Energy
Docket Room 3F-056, FE-50
Forrestal Building
1000 Independence Avenue, S.W.
Washington, DC 20585

RE: Louisiana LNG Energy LLC, Docket No. 14- 29 - LNG
Application for Long-Term Authorization to Export Liquefied Natural Gas to Non-Free Trade Agreement Countries

Dear Mr. Anderson:

Louisiana LNG Energy LLC ("LLNG") is developing a project to export liquefied natural gas ("LNG") from the United States. The LNG will be produced at a liquefaction facility to be constructed on a 200 acre site near mile marker 46 on the East Bank of the Mississippi River down-river from the Port of New Orleans in Plaquemines Parish, Louisiana. The construction required will be the subject of an application by LLNG to the Federal Energy Regulatory Commission ("FERC") for authorization under Section 3 of the Natural Gas Act. LLNG expects that it will file a request to initiate the FERC pre-filing review process in May, 2014.

In the enclosed application, LLNG seeks long-term multi-contract authorization under Section 3 of the Natural Gas Act to export two million metric tons[1] of LNG per annum for a term of 25 years beginning on the earlier of the date of first export from the LLNG facility or ten years from the date the requested authorization is granted. LLNG is seeking authority to export LNG from the LLNG facility to any country with which the United States does not have a free trade agreement requiring national treatment for trade in natural gas with which trade is not prohibited by United States law or policy.

On February 5, 2014, LLNG filed an application for authorization to export two million metric tons of LNG per annum for a term of 25 years to countries with which the United States currently has, or in the future may enter into, a free trade agreement requiring national treatment for trade in natural gas.[2] The two million metric tons of LNG per annum requested herein is non-additive.

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[1] Approximately 103.4 bcf of natural gas using a conversion factor of 51.7 bcf of natural gas per million metric tons of LNG.
[2] Louisiana LNG Energy LLC, DOE/FE Docket No. 14-19-LNG (filed Feb. 5, 2014).

Subject to the receipt of appropriate FERC authorization, and construction of the liquefaction facilities, LLNG will provide gas liquefaction services through liquefaction agreements under which individual customers who hold title to natural gas will have the right to deliver that gas to LLNG and receive LNG. LLNG seeks to export this LNG on its own behalf and also as agent for third parties.

LLNG is transmitting a check in the amount of $50.00 in payment of the applicable filing fee pursuant to 10 C.F.R. § 590.207. Please contact the undersigned at (713) 203-3054 if you have any questions regarding this filing.

Respectfully submitted,

Steven P. Martin
Vice President, Finance & Contracts
Louisiana LNG Energy LLC

**UNITED STATES OF AMERICA**
**DEPARTMENT OF ENERGY**
**OFFICE OF FOSSIL ENERGY**

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| Louisiana LNG Energy LLC | ) | Docket No. 14 - 29 - LNG |
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**APPLICATION OF LOUISIANA LNG ENERGY LLC FOR LONG-TERM AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS TO NON- FREE TRADE AGREEMENT COUNTRIES**


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**APPLICATION OF LOUISIANA LNG ENERGY LLC FOR LONG-TERM AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS TO NON-FREE TRADE AGREEMENT COUNTRIES**

Pursuant to Section 3 of the Natural Gas Act ("NGA"), 15 U.S.C. § 717b, and Part 590 of the regulations of the Department of Energy ("DOE"), 10 C.F.R. § 590, Louisiana LNG Energy LLC ("LLNG") submits this application ("Application") to the DOE Office of Fossil Energy ("DOE/FE") for long-term authorization to export two million metric tons per year of liquefied natural gas ("LNG") (approximately 103.4 bcf of natural gas using a conversion factor of 51.7 bcf of natural gas per million metric tons of LNG) produced from domestic sources for a 25-year period commencing on the earlier of the date of first export from the LLNG facility or ten years from the date the requested authorization is granted.[1]

LLNG seeks authorization to export LNG from its proposed facility near mile marker 46 on the East Bank of the Mississippi River down-river from the Port of New Orleans in Plaquemines Parish, Louisiana to any country with which the United States does not have a free trade agreement ("FTA") requiring national treatment for trade in natural gas with which trade is not prohibited by United States law or policy ("Non-FTA countries").

On February 5, 2014, LLNG submitted an application for authorization to export two million metric tons of LNG per annum for a term of 25 years to countries with which the United States currently has, or in the future may enter into, a free trade agreement requiring national

[1] The conversion factor stated herein is the same as that stated in the most recent DOE/FE order approving a Non-FTA export application. *See Cameron LNG, LLC*, DOE/FE Order No. 3391 at 8 (Feb. 11, 2014).

treatment for trade in natural gas.[2] The two million metric tons of LNG per annum requested herein is non-additive. Through this Application, LLNG is not seeking to export any additional volumes of LNG from its proposed LNG facility, but rather is seeking to expand the countries to which such LNG may be exported. In support of this Application, LLNG respectfully states the following:

## I. DESCRIPTION OF THE APPLICANT AND LNG FACILITY

The exact legal name of the applicant is Louisiana LNG Energy LLC. LLNG is a limited liability company formed under the laws of Texas with its principal place of business at 2115 Forest Falls Drive, Suite 100, Houston, Texas 77345-1778. LLNG is owned and controlled by five members who also serve as officers of the LLC.

LLNG plans to construct a liquefaction facility on a 200 acre site near mile marker 46 on the East Bank of the Mississippi River down-river from the Port of New Orleans in Plaquemines Parish, Louisiana. The proposed site is currently under lease by LLNG with multiple renewal options extending through May 31, 2091. A copy of the Memorandum of Lease for the proposed site is attached hereto as Appendix C.[3]

The liquefaction facility will consist of four 74,380 Mcf/d liquefaction trains with an annual capacity of approximately 100 Bcf (or two MTPA) of LNG. In addition, two amine and dehydration units will be added upstream of the four liquefaction trains to remove residual moisture, $CO_2$ and natural gas liquids. The liquefaction facility will be built in a modular fashion and assembled on-site.

[2] Louisiana LNG Energy LLC, DOE/FE Docket No. 14-19-LNG (filed Feb. 5, 2014). The conversion factor stated by LLNG in the FTA application was 48.7, a conversion factor previously used by DOE/FE. On February 11, 2014, DOE/FE issued a Non-FTA authorization that stated a conversion factor of 51.7. *See Cameron LNG, LLC*, DOE/FE Order No. 3391 at 8 (Feb. 11, 2014). Accordingly, LLNG has stated the 51.7 conversion factor in this Application.
[3] Appendix A and Appendix B contain the Verification and Opinion of Counsel required by DOE/FE's regulations. 10 C.F.R. § 590.202.

## II. COMMUNICATIONS

All communications and correspondence regarding this Application should be directed to the following persons:


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## III. AUTHORIZATION REQUESTED

LLNG requests long-term authorization to export two million metric tons[4] per year of domestically-produced LNG for a 25-year period commencing upon the earlier of the date of first export from the LLNG facility or the tenth anniversary of the date authorization is granted by DOE/FE. LLNG requests that such long-term authorization provide for export to any country that does not have a FTA requiring national treatment for trade in natural gas with which trade is not prohibited by United States law or policy.

The long-term export authorization sought in this Application is necessary in order to permit LLNG to proceed to incur the substantial cost of developing the liquefaction and export project. Any construction of facilities for the export of LNG would be subject to FERC approval after a full environmental review. LLNG expects that it will file a request to initiate the FERC pre-filing review process in May, 2014.

LLNG expects that it will enter into Liquefaction Tolling Agreements ("LTA"), under which individual customers who hold title to natural gas will have the right to deliver that gas to

[4] Approximately 103.4 bcf of natural gas using a conversion factor of 51.7 bcf of natural gas per million metric tons of LNG.

LLNG and receive LNG. LLNG seeks to export this LNG on its own behalf and also as agent for third parties under contracts to be executed on a date that is closer to the date of first export. LLNG contemplates that the title holder at the point of export[5] may be LLNG or one of LLNG's customers, or another party that has purchased LNG from a customer pursuant to a long-term contract.

LLNG requests authorization to register each LNG title holder for whom LLNG seeks to export as agent, with such registration including a written statement by the title holder acknowledging and agreeing to comply with all applicable requirements included by DOE/FE in LLNG's export authorization, and to include those requirements in any subsequent purchase or sale agreement entered into by that title holder. In addition to the registration of any LNG title holder for whom LLNG seeks to export as agent, LLNG will file under seal with DOE/FE any relevant long-term commercial agreements between LLNG and such LNG title holder, including LTAs, once they have been executed. This approach will conform to DOE/FE's goal of ensuring that all authorized exports are permitted and lawful under U.S. laws and policies, including the rules, regulations, orders, policies and other determinations of the Office of Foreign Assets Control of the U.S. Department of the Treasury.[6]

This approach has been consistently approved by DOE/FE.[7] For example, in *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC* ("FLEX"),[8] DOE/FE found that "FLEX has requested an acceptable process by which FLEX can act as agent for others who want to export LNG" and that "FLEX's agency rights and registration procedures are an alternative to the non-

[5] "LNG exports occur when the LNG is delivered to the flange of the LNG export vessel." *See Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 2913 at n.4 (Feb. 10, 2011); *Dow Chemical Company*, FE Order No. 2859 at 7 (Oct. 5, 2010).
[6] *See The Dow Chemical Company*, DOE/FE Opinion and Order No. 2859 at 7-8 (Oct. 5, 2010).
[7] *See, e.g.*, *Gulf Coast LNG Export, LLC*, DOE/FE Opinion and Order No. 3163 (Oct. 16, 2012).
[8] DOE/FE Order No. 2913 (Feb. 10, 2011).

binding policy adopted by DOE/FE in DOE Opinion and Order No. 2859 . . . which set forth a non-binding policy that the title for all LNG authorized to be exported shall be held by the authorization holder at the point of export."[9] DOE/FE also accepted FLEX's proposal to file the relevant long-term commercial agreements under seal once they have been executed.[10] DOE/FE stated that by "accepting FLEX's requested registration process and contract terms, DOE/FE will ensure that the title holder is aware of all requirements in the Order, including destination restrictions, that DOE will have a record of all authorized exports, and that DOE will have direct contact information and point of contact with the title holder."[11] DOE/FE concluded that "[t]his process is responsive to current LNG markets and provides an expedited process by which companies seeking to export LNG can do so."[12] DOE/FE should approve LLNG's proposed procedure as it is identical to that approved for FLEX.

## IV. EXPORT SOURCES

LLNG seeks authorization to export natural gas available in the United States natural gas pipeline system. While LLNG anticipates that sources of natural gas will include Texas and Louisiana producing regions and the offshore gulf producing regions, the natural gas to be exported may be produced throughout the United States.

## V. PUBLIC INTEREST

Section 3(a) of the NGA sets forth the general standard for review of export applications:

> [N]o person shall export any natural gas from the United States to a foreign country or import any natural gas from a foreign country without first having secured an order of the [Secretary of Energy] authorizing it to do so. The [Secretary] *shall issue* such order upon application, *unless*, after opportunity for hearing, [the Secretary]

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[9] *Id.* at 7 citing *The Dow Chemical Company*, DOE/FE Opinion and Order No. 2859 at 7-8 (Oct. 5, 2010).
[10] *Id.* at 8. The practice of filing contracts after the DOE/FE has granted export authorization is well established. *See Yukon Pacific Corporation*, ERA Docket No. 87-68-LNG, Order No. 350 (Nov. 16, 1989); *Distrigas Corporation*, FE Docket No. 95-100-LNG, Order No. 1115 at 3 (Nov. 7, 1995).
[11] DOE/FE Order No. 2913 at 8.
[12] *Id.*

> finds that the proposed exportation or importation will not be consistent with the public interest. The [Secretary] may by [the Secretary's] order grant such application, in whole or in part, with such modification and upon such terms and conditions as the [Secretary] may find necessary or appropriate.[13]

According to DOE/FE, "[a]pplying the foregoing statutory language, DOE has consistently ruled that Section 3(a) of the NGA creates a rebuttable presumption that proposed exports of natural gas are in the public interest."[14] Accordingly, DOE/FE "*must* grant such an application unless opponents of the application overcome that presumption by making an affirmative showing of inconsistency with the public interest."[15]

In evaluating the "public interest" DOE/FE "has identified a range of factors that it evaluates when reviewing an application for export authorization."[16] The factors include "economic impacts, international impacts, security of natural gas supply, and environmental impacts, among others."[17] DOE/FE also applies the principles set forth in its Policy Guidelines and Delegation Orders Relating to the Regulation of Imported Natural Gas, which are intended to "minimize federal control and involvement in energy markets and to promote a balanced and mixed energy resource system."[18] Under the Policy Guidelines:

> The market, not government, should determine the price and other contract terms of imported [or exported] gas. . . . The federal government's primary responsibility in authorizing imports [or

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[13] 15 U.S.C. § 717b(a) (2006) (emphasis added). This authority has been delegated to the Assistant Secretary for Fossil Energy pursuant to Redelegation Order No. 00-002.04D (Nov. 6, 2007).

[14] *Sabine Pass Liquefaction, LLC*, DOE/FE Docket 10-111-LNG, Opinion and Order Denying Request for Review Under Section 3(c) of the NGA (Oct. 21, 2010); *see also Panhandle Producers and Royalty Owners Assoc. v. ERA*, 822 F.2d 1105, 1111 (D.C. Cir. 1987) ("A presumption favoring import authorization, then, is completely consistent with, if not mandated by, the statutory directive.").

[15] *Cameron LNG, LLC*, DOE/FE Order No. 3391 at 6 (Feb. 11, 2014); *FLNG Liquefaction, LLC, FLNG Liquefaction 2, LLC and FLNG Liquefaction 3, LLC*, DOE/FE Order No. 3357 at 8 (Nov. 15, 2013); *Dominion Cove Point LNG, LP*, DOE/FE Order No. 3331 at 7 (Sept. 11, 2013); *Lake Charles Exports, LLC*, DOE/FE Order No. 3324 at 6-7 (Aug. 7, 2013); *Freeport LNG Expansion, L.P., Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 3282 at 6 (May 17, 2013) (emphasis added).

[16] *Cameron LNG, LLC*, DOE/FE Order No. 3391 at 6 (Feb. 11, 2014).

[17] *Id.* at 6-7.

[18] *Id.* at 7; *see* Policy Guidelines and Delegation Orders Relating to the Regulation of Imported Natural Gas, 49 Fed. Reg. 6,684 (Feb. 22, 1984) ("Policy Guidelines").

> exports] should be to evaluate the need for the gas and whether the import [or export] arrangement will provide the gas on a competitively priced basis for the duration of the contract while minimizing regulatory impediments to a freely operating market.[19]

DOE/FE affirmed that "it continues to subscribe to the principle set forth in our 1984 Policy Guidelines that, under most circumstances, the market is the most efficient means of allocating natural gas supplies."[20] While the Policy Guidelines solely address imports, DOE/FE has found that "the same policies should be applied to natural gas export applications."[21]

Consistent with DOE/FE's criteria, the following public interest analysis reviews (i) the domestic need for the natural gas proposed to be exported; (ii) the impact of the proposed export on United States natural gas market prices; (iii) the economic benefits of the proposed export; (iv) the benefits to national security; and (v) the environmental benefits. As demonstrated herein, LLNG's Application fully addresses each of the criteria applied by DOE/FE in reviewing export applications and confirms that the proposed export is not inconsistent with the public interest.

**(i) Domestic Need for the Natural Gas Proposed to be Exported**

The main focus of the DOE/FE's public interest analysis is the projected domestic need for the gas to be exported. Domestic need can be measured by looking at domestic natural gas supply versus natural gas demand. DOE/FE has historically compared the total volume of natural gas reserves and recoverable resources available to be produced during the proposed export period to total gas demand during the export period to determine whether there is a domestic need for the gas to be exported.[22]

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[19] Policy Guidelines at 6,685.
[20] *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 3282 at 112.
[21] *Cameron LNG, LLC*, DOE/FE Order No. 3391 at 7 (Feb. 11, 2014); *see also Phillips Alaska Natural Gas Corp. and Marathon Oil Co.*, DOE/FE Order No. 1473 at 14 (Apr. 2, 1999).
[22] *Phillips Alaska Natural Gas Corp. and Marathon Oil Co.*, DOE/FE Order No. 1473 at 29, 40, 46.

In approving applications to export LNG to Non-FTA countries, DOE/FE has consistently found that there exist sufficient natural gas supplies in the U.S. to support the proposed exports.[23] In reaching this conclusion, DOE/FE reviewed three measures of supply: (1) U.S. Energy Information Administration ("EIA") Annual Energy Outlook natural gas estimates of production, price and other domestic industry fundamentals; (2) proved reserves of natural gas; and (3) technically recoverable resources.[24] All three measures of supply confirm that U.S. natural gas reserves are more than sufficient to meet domestic demand and support the proposed exports.

- EIA Annual Energy Outlook natural gas estimates: In the most recent order approving exports to Non-FTA countries, DOE/FE analyzed the latest data and noted that EIA's projection of dry natural gas production in 2035 "increased significantly (by 26.8 Bcf/d)" in the Annual Energy Outlook ("AEO") 2014 Early Release overview as compared to the AEO 2011.[25] Similarly, the projections of domestic natural gas consumption in 2035 increased by 10.7 Bcf/d in the AEO 2014 Early Release overview as compared to the AEO 2011.[26] DOE/FE stated that "[e]ven with increased gas production and consumption, the 2035 projected natural gas market price in the Reference Case declined from $7.31/MM Btu (2012$) in AEO 2011 to $6.92/MM Btu (2012$) in the AEO 2014 Early Release Overview."[27] The latest EIA projection is "for a significantly greater quantity of

[23] *See, e.g.*, *Cameron LNG, LLC*, DOE/FE Order No. 3391 at 96 (Feb. 11, 2014); *Dominion Cove Point LNG, LP*, DOE/FE Order No. 3331 at 107 (Sept. 11, 2013); *Lake Charles Exports, LLC*, DOE/FE Order No. 3324 at 94 (Aug. 7, 2013); *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 3282 at 82 (May 17, 2013).
[24] *Cameron LNG, LLC*, DOE/FE Order No. 3391 at 97 (Feb. 11, 2014).
[25] *Id.*
[26] *Id.*
[27] *Id.*

natural gas to be available at a lower market price than estimated just three years ago."[28]

- Proved reserves of natural gas: According to DOE/FE, "[p]roved reserves of natural gas have also been increasing."[29] Proved reserves are defined as "those volumes of oil and natural gas that geologic and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions."[30] DOE/FE noted the 88% increase in proved reserves since 2000 and stated that there is a "growing supply of natural gas available under existing economic and operating conditions."[31]
- Technically recoverable resources: Significant increases in technically recoverable resources have also been noted by DOE/FE.[32] Technically recoverable resources are resources in accumulations producible using current recovery technology but without reference to economic profitability.[33] Such estimates include proved and unproved shale gas resources, which have fluctuated in recent EIA studies. The latest available data shows that there are 2,335 tcf of technically recoverable resources in the U.S.[34]

LLNG expects assessments of the U.S. recoverable natural gas resource base to continue to be revised higher as exploration and production efforts expand. Additionally, uncertainty

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[28] *Id.*; *see also* U.S. Energy Information Administration, *AEO 2014 Early Release Overview*, *available at* http://www.eia.gov/forecasts/aeo/er/pdf/0383er(2014).pdf.
[29] *Cameron LNG, LLC*, DOE/FE Order No. 3391 at 97 (Feb. 11, 2014).
[30] *Id*.
[31] *Id.*
[32] *Id.* at 98.
[33] *Id.*
[34] *Id.*; *see also* U.S. Energy Information Administration, *Assumptions to the Annual Energy Outlook 2013*, Table 9.2 – Technically recoverable U.S. natural gas resources, *available at* http://www.eia.gov/forecasts/aeo/assumptions/pdf/0554(2013).pdf.

regarding the total volume of U.S. recoverable resources will decrease as technically recoverable resources are identified and become proved reserves.

The export of domestic LNG, as proposed by LLNG, should be considered to be in the public interest as U.S. natural gas available for supply far exceeds demand. EIA estimates that domestic natural gas demand will grow from 24.38 tcf per year in 2011 to 31.63 tcf per year in 2040.[35] EIA further estimates that cumulative domestic gas consumption from 2013 through 2040 will be 799 tcf.[36] DOE/FE recently stated that "EIA's most recent projections, set forth in the AEO 2014 Early Release Overview, continue to show market conditions that will accommodate increased exports of natural gas."[37] Reviewing the latest consumption figures, DOE/FE concluded that "when compared to the AEO 2013 Reference Case, the AEO 2014 Early Release Reference Case projects marked increases in domestic natural gas production—well in excess of what is required to meet projected increases in domestic consumption."[38]

As demonstrated herein and consistently affirmed by DOE/FE, recoverable natural gas resources in the U.S. are sufficient to meet demand for domestic consumption and the proposed export over the long-term. Accordingly, the proposed export authorization will not have a detrimental impact on the domestic supply of natural gas and, therefore, is not inconsistent with the public interest.

[35] U.S. Energy Information Administration, Annual Energy Outlook 2014 Early Release Overview, Table 13 Natural Gas Supply, Disposition, and Prices (Dec. 2013), *available at* http://www.eia.doe.gov/forecasts/aeo/tables_ref.cfm.
[36] U.S. Energy Information Administration, Annual Energy Outlook 2014 Early Release Overview, Table 13 Natural Gas Suply, Disposition, and Prices (Dec. 2013), *available at* http://www.eia.doe.gov/forecasts/aeo/tables_ref.cfm.
[37] *Cameron LNG, LLC*, DOE/FE Order No. 3391 at 133-34 (Feb. 11, 2014).
[38] *Id.* at 134.

### (ii) Impact on United States Natural Gas Market Prices

As the Policy Guidelines make clear, it is not the policy of the federal government to manipulate domestic energy prices by approving or disapproving import and export applications.[39] U.S. policy is that markets, and not the government, should allocate resources, determine supply and demand, and set prices. Nonetheless, studies confirm that the proposed exports will not have a significant impact on domestic natural gas prices.

DOE/FE commissioned a two-part study on the cumulative economic impacts of LNG exports. The first part of the study, conducted by EIA, looked at the potential impact of additional natural gas exports on domestic energy consumption, production, and prices under several export scenarios prescribed by DOE/FE.[40] The second part of the study, conducted by NERA Economic Consulting, assessed the potential macroeconomic impact of LNG exports.[41]

The NERA Study concluded that, across all scenarios studied, "the U.S. was projected to gain net economic benefits from allowing LNG exports."[42] Further, the NERA Study concluded that "for every one of the market scenarios examined, net economic benefits increased as the level of LNG exports increased."[43] Although the Study found that United States natural gas prices increase when LNG is exported, "the global market limits how high U.S. natural gas prices can rise under pressure of LNG exports because importers will not purchase U.S. exports if U.S. wellhead price rises above the cost of competing supplies."[44] Further, NERA noted:

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[39] Policy Guidelines at 6,685 ("The market, not government, should determine the price and other contract terms of imported [or exported] gas. . . .").
[40] U.S. Energy Information Administration, *Effect of Increased Natural Gas Exports on Domestic Energy Markets* (January 2012), *available at* http://energy.gov/sites/prod/files/2013/04/f0/fe_eia_lng.pdf ("EIA Study").
[41] NERA Economic Consulting, *Macroeconomic Impacts of LNG Exports from the United States* (Dec. 5, 2012), *available at* http://fossil.energy.gov/programs/gasregulation/reports/nera_lng_report.pdf ("NERA Study").
[42] NERA Study at 1.
[43] *Id.* The NERA Study noted that "even with exports reaching levels greater than 12 Bcf/d and associated higher prices than in constrained cases, there were net economic benefits from allowing unlimited exports in all cases." *See Id*. at 6.
[44] *Id.* at 2.

> Across the scenarios, U.S. economic welfare consistently increases as the volume of natural gas exports increased. This includes scenarios in which there are unlimited exports. The reason for this is that even though domestic natural gas prices are pulled up by LNG exports, the value of those exports also rises so that there is a net gain for the U.S. economy measured by a broad metric of economic welfare or by more common measures such as real household income or real GDP. Although there are costs to consumers of higher energy prices and lower consumption and producers incur higher costs to supply the additional natural gas for export, these costs are more than offset by increases in export revenues along with a wealth transfer from overseas received in the form of payments for liquefaction services. The net result is an increase in U.S. households' real income and welfare.[45]

The NERA Study also concluded that natural gas prices in the United States will not rise to the levels observed in other parts of the world.[46] The NERA Study found that even in the scenarios where unlimited exports were permitted, the wellhead price in the United States remained below the import price in Japan, for example, where the United States sends some of its exports.[47] The NERA Study points to net positive benefits from allowing exports of LNG from the United States.

DOE/FE has confirmed that the NERA Study is "fundamentally sound" and that it supports the proposition that exports of LNG from the U.S. will not be inconsistent with the public interest.[48] In concluding that the NERA Study is fundamentally sound, DOE/FE reviewed over 188,000 public comments submitted and undertook extensive analysis of the methodology employed by NERA.[49] In its most recent order authorizing exports to Non-FTA countries, DOE/FE compared the EIA data used in the NERA Study to the current 2014 EIA data and determined that the 2014 EIA data provides further support for the conclusions reached in the

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[45] *Id.* at 6. The Study concluded "consumers, in the aggregate, are better off as a result of opening up LNG exports" and "the U.S. consumers are better off in all of the export volume scenarios that were analyzed." *See Id.* at 55.
[46] *Id.* at 76.
[47] *Id.*
[48] *Cameron LNG, LLC*, DOE/FE Order No. 3391 at 131 (Feb. 11, 2014).
[49] *Id*. at 71.

NERA Study and also for DOE/FE's conclusions regarding the consistency of the proposed exports with the public interest.[50]

The NERA Study's conclusions that the U.S. will benefit from the export of domestically produced LNG are confirmed by additional publicly available studies, including:

- U.S. Senator Lisa Murkowski, *The Narrowing Window: America's Opportunity to Join the Global Gas Trade* (Aug. 2013);[51]
- ICF International, *U.S. LNG Exports: Impacts on Energy Markets and the Economy* (May 2013);[52]
- Deloitte Center for Energy Solutions and Deloitte MarketPoint LLC, *Exporting the American Renaissance: Global Impacts of LNG Exports from the United States* (Oct. 2012);[53]
- Michael Levi, *A Strategy for U.S. Natural Gas Exports*, The Hamilton Project, Brookings Institution (June 2012);[54] and
- Charles Ebinger, et al., *Liquid Markets: Assessing the Case for U.S. Exports of Liquefied Natural Gas*, Brookings Institution (May 2012).[55]

These studies represent just part of the growing body of evidence that confirms that the export of domestically produced LNG, such as proposed herein, will have positive economic benefits for the U.S. as a whole. Accordingly, the proposed export is not inconsistent with the public interest.

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[50] *Id.* at 79.
[51] *Available at* http://www.energy.senate.gov/public/index.cfm/files/serve?File_id=e1527027-558f-4fb0-92bd-f8b9d7515075 (Noting that "DOE itself has already determined that exports of LNG are in the national interest").
[52] *Available at* http://www.api.org/~/media/Files/Policy/LNG-Exports/API-LNG-Export-Report-by-ICF.pdf.
[53] *Available at* http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Energy_us_er/us_er_GlobalImpactUSLNGExports_AmericanRenaissance_Jan2013.pdf.
[54] *Available at* http://www.brookings.edu/~/media/research/files/papers/2012/6/13%20exports%20levi/06_exports_levi.pdf.
[55] *Available at* http://www.brookings.edu/~/media/research/files/reports/2012/5/02%20lng%20exports%20ebinger/0502_lng_exports_ebinger.pdf.

#### (iii) Economic Benefits

The requested authorization will benefit local, regional and national economies and is not inconsistent with the public interest. The proposed export of LNG would allow natural gas that might otherwise be shut-in to be sold into the global LNG market, spurring the development of new natural gas resources that might not otherwise make their way to market.

The development of new resources creates jobs and is consistent with President Obama's National Export Initiative.[56] In adopting the National Export Initiative, the President noted that "[a] critical component of stimulating economic growth in the United States is ensuring that U.S. businesses can actively participate in international markets by increasing their exports of goods . . . . Improved export performance will, in turn, create good high-paying jobs."[57] The National Export Initiative has the goal of doubling exports over the next five years by helping businesses overcome hurdles to entering new export markets, assisting with financing and pursuing a government-wide approach to export advocacy abroad.[58]

Exporting natural gas that is not needed to serve demand in the United States promotes the President's pro-export policies, while improving local, regional, and national economies through resource development, an enhanced tax base, job creation and increased overall economic activity. Expanding the available markets for natural gas supplies will have a ripple effect throughout the economy by creating additional employment opportunities. Construction and operation of the LLNG liquefaction facility will create jobs in Louisiana and the Gulf Coast

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[56] Exec. Order No. 13534, 75 Fed. Reg. 12433 (March 11, 2010).
[57] *Id.*
[58] *Id.*

region. A study by IHS Global Insight (USA) Inc. predicts that development of shale gas in the U.S. will support nearly 870,000 jobs by 2015.[59]

Granting LLNG's requested authorization would also positively impact the U.S. balance of trade. In 2012, the U.S. trade deficit was approximately $540 billion.[60] Of the $540 billion deficit, $291 billion (over half) resulted from a negative balance in the trade of petroleum products.[61] LLNG's proposed exports of 2 million metric tons per year will make a positive impact on the balance of trade. In approving export applications, DOE/FE has acknowledged the positive impact that LNG exports can have on the balance of trade with destination countries.[62]

Consistent with the goals of the National Export Initiative and the DOE/FE's policy of "promoting competition in the marketplace by allowing commercial parties to freely negotiate their own trade arrangements,"[63] the export of LNG will help to improve economic ties between the U.S. and the destination countries. This conclusion is supported by the NERA Study which found that "[e]xports of natural gas will improve the U.S. balance of trade and result in a wealth transfer into the U.S."[64] Furthermore, an additional positive economic benefit cited by the NERA Study is the increased Gross Domestic Product ("GDP") that results from LNG exports. Under the Study's Reference Case, GDP increases could range from $5 billion to $20 billion.[65] DOE/FE recently affirmed the economic benefits of exporting LNG and, in granting

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[59] IHS Global Insight (USA) Inc., *The Economic and Employment Contributions of Shale Gas in the United States* (Dec. 2011), *available at* http://www.anga.us/media/content/F7D1441A-09A5-D06A-9EC93BBE46772E12/files/shale-gas-economic-impact-dec-2011.pdf.

[60] Bureau of Economic Analysis, United States Department of Commerce, *U.S. International Trade in Goods and Services: Annual Revision for 2012*, (June 4, 2013) at 11, *available at* http://www.census.gov/foreign-trade/Press-Release/2012pr/final_revisions/final.pdf.

[61] *Id.* at 11. In 2012, the United States exported only $123 billion in petroleum products while importing over $413 billion.

[62] *See, e.g.*, *ConocoPhillips Company*, FE Docket No. 09-92-LNG, Order No. 2731 at 10 (Nov. 30, 2009); *Cheniere Marketing, Inc.*, FE Docket No. 08-77-LNG, Order No. 2651 at 14 (June 8, 2009) ("[M]itigation of balance of payments issues may result from a grant of the [export] application.").

[63] *Cheniere Marketing, Inc.*, FE Docket No. 08-77-LNG, Order No. 2651 at 11 (June 8, 2009).

[64] NERA Study at 13.

[65] *Id.* at 77.

authorization to export LNG to Non-FTA countries, cited the National Export Initiative's goal to "improve conditions that directly affect the private sector's ability to export" and to "enhance and coordinate Federal efforts to facilitate the creation of jobs in the United States through the promotion of exports."[66]

**(iv) Benefits to National Energy Security**

The LNG exports associated with the requested authorization will support United States energy security. DOE/FE recently found that exports can have a positive impact on national energy security, holding:

> to the extent U.S. exports can counteract concentration within global LNG markets, thereby diversifying international supply options and improving energy security for many of this country's allies and trading partners, authorizing U.S. exports may advance the public interest for reasons that are distinct from and additional to the economic benefits identified in the LNG Export Study.[67]

Furthermore, a study by the James A. Baker III Institute for Public Policy at Rice University highlights the positive impacts that increased natural gas production will have on energy security.[68] The study notes the positive security benefits that arise from reducing U.S. reliance on foreign energy sources and also concludes that increased production will lead to the virtual elimination of U.S. requirements for imported LNG.[69] Granting requests for authorization to export domestically produced LNG, such as that proposed here by LLNG, will spur energy production and the development of new resources, thereby enhancing national energy security.

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[66] *Cameron LNG, LLC*, DOE/FE Order No. 3391 at 131 (Feb. 11, 2014).

[67] *Id.*; *see also Freeport LNG Expansion, L.P., FLNG Liquefaction, LLC, FLNG Liquefaction 2, LLC and FLNG Liquefaction 3, LLC*, DOE/FE Order No. 3357 at 153 (Nov. 15, 2013).

[68] Kenneth B. Medlock III, Ph.D, et al., *Shale Gas and U.S. National Energy Security*, James A. Baker III Institute for Public Policy, Rice University (July 2011), *available at* http://bakerinstitute.org/files/496/.

[69] *Id*. at 9, 13.

### (v) Environmental Benefits

LNG export can have significant environmental benefits as natural gas is cleaner burning than other fossil fuels. According to the U.S. Environmental Protection Agency ("EPA"), compared to the average air emissions from coal-fired generation, natural gas-fired generation produces half as much carbon dioxide, less than a third as much nitrogen oxides, and one percent as much sulfur oxides at the power plant.[70] Accordingly, an increased supply of natural gas made possible through LNG export can help countries reduce their usage of less environmentally-friendly fuels.

## VI. <u>ENVIRONMENTAL IMPACT</u>

LLNG will file an application with FERC for authorization to construct the liquefaction facility, in accordance with NGA Section 3 and subpart B of part 153 of the Commission's Regulations, 18 C.F.R. § 153.4 *et seq*. Consistent with DOE/FE's established practice, LLNG requests that DOE/FE issue the export authorization to non-FTA countries conditioned on FERC's completion of the National Environmental Policy Act ("NEPA") review and approval of the required construction. DOE/FE routinely issues orders with such a condition.[71] It is standard practice for DOE/FE to "complete its NEPA review as a cooperating agency in FERC's review of the [proposed export facilities]."[72] According to the established protocol, "DOE/FE's participation as a cooperating agency in the FERC proceeding is intended to avoid duplication of

[70] *See* http://www.epa.gov/cleanenergy/energy-and-you/affect/natural-gas.html.

[71] *See, e.g.*, *Cameron LNG, LLC*, DOE/FE Order No. 3391 at 140-41 (Feb. 11, 2014); *Freeport LNG Expansion, L.P., FLNG Liquefaction, LLC, FLNG Liquefaction 2, LLC and FLNG Liquefaction 3, LLC*, DOE/FE Order No. 3357 at 163-64 (Nov. 15, 2013); *Dominion Cove Point LNG, LP*, DOE/FE Order No. 3331 at 150-51 (Sept. 11, 2013); *Lake Charles Exports, LLC*, DOE/FE Order No. 3324 at 133-34 (Aug. 7, 2013); *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 3282 at 120-21 (May 17, 2013); *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961 at 41 (May 20, 2011); *Yukon Pacific Corp.*, ERA Docket No. 87-68-LNG, Order No. 350 (Nov. 16, 1989) ("The DOE believes that energy projects can and must be undertaken consistent with environmentally acceptable practices. To ensure this result, the DOE is attaching a condition to the export approval that all aspects of the export project must be undertaken in accordance with the appropriate environmental review process and must comply with any and all preventative and mitigative measures imposed by Federal or State agencies.").

[72] *See, e.g.*, *Dominion Cove Point LNG, LP*, DOE/FE Order No. 3331 at 150 (Sept. 11, 2013).

effort by agencies with overlapping environmental review responsibilities, to achieve early coordination among agencies, and to concentrate public participation in a single forum."[73] Here, DOE/FE should follow its well-established practice of granting the requested authorization conditioned on the completion of the environmental review process at FERC. LLNG expects that it will commence the FERC Pre-Filing process in approximately May, 2014.

## VII. APPENDICES

The following appendices are included with this Application:

| | |
|---|---|
| Appendix A | Verification |
| Appendix B | Opinion of Counsel |
| Appendix C | Memorandum of Lease |

[73] *Id.*

## VIII. CONCLUSION

WHEREFORE, for the reasons set forth above, Louisiana LNG Energy LLC respectfully requests that the DOE/FE issue an order granting LLNG long-term authorization to export two million metric tons per year for a term of 25 years of domestic LNG to any country with which the United States does not have a free trade agreement requiring national treatment for trade in natural gas with which trade is not prohibited by United States law or policy. As demonstrated herein, the authorization requested is not inconsistent with the public interest and, accordingly, should be granted pursuant to Section 3 of the Natural Gas Act.

Respectfully submitted,

Steven P. Martin
Vice President, Finance & Contracts

*On behalf of Louisiana LNG Energy LLC*

Dated: February 18, 2014

# APPENDIX A

# VERIFICATION

**VERIFICATION**

County of Harris )
)
State of Texas )

BEFORE ME, the undersigned authority, on this day personally appeared Steven P. Martin, who, having been by me first duly sworn, on oath says that he is the Vice President, Finance & Contracts of Louisiana LNG Energy LLC and is duly authorized to make this Verification on behalf of Louisiana LNG Energy LLC; that he has read the foregoing instrument and that the facts therein stated are true and correct to the best of his knowledge, information and belief.

SWORN TO AND SUBSCRIBED before me on: 02/17/2014

NOTARY PUBLIC
STATE OF TEXAS
VANESSA SANTOS
My Commission Expires
May 17, 2017

Vanessa Santos
Notary Public

**APPENDIX B**

**OPINION OF COUNSEL**

February 18, 2014

Mr. John A. Anderson
Office of Fossil Energy
U.S. Department of Energy
Docket Room 3F-056, FE-50
Forrestal Building
1000 Independence Avenue, S.W.
Washington, DC 20585

RE: Louisiana LNG Energy LLC
Application for Long-Term Authorization to Export Liquefied Natural Gas to Non-Free Trade Agreement Countries

Dear Mr. Anderson:

This opinion of counsel is submitted pursuant to Section 590.202(c) of the regulations of the U.S. Department of Energy, 10 C.F.R. § 590.202(c) (2013). The undersigned is counsel to Louisiana LNG Energy LLC. I have reviewed the corporate documents of Louisiana LNG Energy LLC and it is my opinion that the proposed export of natural gas as described in the application filed by Louisiana LNG Energy LLC to which this Opinion of Counsel is attached as Appendix B, is within the limited liability company powers of Louisiana LNG Energy LLC.

Respectfully submitted,

James F. Moriarty
Locke Lord LLP
*On behalf of Louisiana LNG Energy LLC*

# APPENDIX C

# MEMORANDUM OF LEASE

## MEMORANDUM OF LEASE

**STATE OF LOUISIANA**

**PARISH OF PLAQUEMINES**

BEFORE ME, the undersigned authority, personally came and appeared the MORGAN CITY LAND AND FUR COMPANY, LLC, a Louisiana Limited Liability Company, appearing herein through Camille A. Cutrone, its Managing Partner, and LOUISIANA LNG ENERGY, LLC, a Texas Limited Liability Company, appearing herein through J.Q. Delap, its Chairman, who after being duly sworn declared:

MORGAN CITY LAND AND FUR COMPANY, LLC is the LESSOR and LOUISIANA LNG ENERGY , LLC is the LESSEE of the following described property (hereinafter, the "Property" or the "Leased Premises"), to-wit:

**DESCRIPTION OF PROPERTY**

> A certain portion of property situated in the Parish of Plaquemines, State of Louisiana, in Sections 36, 37, 38 & 39, Township 17 South, Range 14 East, described as follows:
>
> Bounded on its Southern most boundary by the Mississippi River, on its Eastern most boundary by the South one-half (½) of Section 39, on its Western most boundary by Section 35, and one arpent owned by others, and on the Northern most side by Louisiana Highway No. 39.
>
> Said property comprises 190.87 acres, more or less.

The Property is subject to that certain Lease Agreement (the "Lease") made by the parties hereto and made effective the 1st day of December, 2013. The Lease has an initial term of thirty (30) months, commencing December 1, 2013 and ending May 31, 2016, and Lessee has three renewal options each for a term of twenty-five (25) years, the First Renewal Option commencing June 1, 2016, and ending May 31, 2041; the Second Renewal Option commencing June 1, 2041, and ending May 31, 2066; and the Third Renewal Option commencing June 1, 2066, and ending May 31, 2091. The parties hereto do hereby incorporate by reference all the terms, conditions and provisions of the Lease.

This Memorandum of Lease is being made for purpose of recording in the Conveyance Records of the Clerk of Court's office in and for the Parish of Plaquemines, State of Louisiana, for all notification and other purposes described by law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned parties hereto have executed this Memorandum of Lease effective the 1st day of December, 2013, in the presence of the undersigned competent witnesses and Notary, after due reading of the whole.

**WITNESSES:**

**LESSOR:**

**MORGAN CITY LAND & FUR COMPANY, LLC, a Louisiana Limited Liability Company**

Jeclyn Cutrone

By: Camille A. Cutrone

**CAMILLE A. CUTRONE, Its Managing Partner**

**LESSEE:**

**LOUISIANA LNG ENERGY, LLC**
**a Texas Limited Liability Company**

________________________

By:________________________
J.Q. Delap, its Chairman

________________________

IN WITNESS WHEREOF, the undersigned parties hereto have executed this Memorandum of Lease effective the 1st day of December, 2013, in the presence of the undersigned competent witnesses and Notary, after due reading of the whole.

**WITNESSES:**

**LESSOR:**

**MORGAN CITY LAND & FUR COMPANY, LLC, a Louisiana Limited Liability Company**

______________________

**By:**______________________
**CAMILLE A. CUTRONE, Its Managing Partner**

______________________

**LESSEE:**

**LOUISIANA LNG ENERGY, LLC**
**a Texas Limited Liability Company**

Tracey Parker

Mary Frances VanBerg

**By:**______________________
J.Q. Delap, its Chairman

## NOTARIAL ACKNOWLEDGMENT

**STATE OF LOUISIANA**

**PARISH OF** Orleans

On this 6th day of February, 2014, before me, the undersigned authority,

**PERSONALLY CAME AND APPEARED:**

**CAMILLE A. CUTRONE,**

known to me to be the person described in and who executed the foregoing instrument, as the Managing Partner of **MORGAN CITY LAND AND FUR COMPANY, LLC**, a Louisiana Limited Liability Company, and that said instrument was signed on behalf of said Company by authority of its Articles of Organization and said **CAMILLE A. CUTRONE** acknowledged that he executed same as the free act and deed of said Company.

**NOTARY PUBLIC** LA BAR NO 7148
Joe M. Inabnett

## NOTARIAL ACKNOWLEDGMENT

**STATE OF TEXAS**

**COUNTY OF HARRIS**

On this ________ day of ______________________, 2014, before me, the undersigned authority,

**PERSONALLY CAME AND APPEARED:**

**J.Q. DELAP,**

known to me to be the person described in and who executed the foregoing instrument, as the Chairman of **LOUISIANA LNG ENERGY, LLC**, a Texas Limited Liability Company, and that said instrument was signed on behalf of said Company, and said J.Q. DELAP acknowledged that he executed same as the free act and deed of said Company.

______________________________

**NOTARY PUBLIC**

## NOTARIAL ACKNOWLEDGMENT

**STATE OF LOUISIANA**

**PARISH OF ____________________________**

On this ________ day of ______________________, 2014, before me, the undersigned authority,

**PERSONALLY CAME AND APPEARED:**

**CAMILLE A. CUTRONE,**

known to me to be the person described in and who executed the foregoing instrument, as the Managing Partner of **MORGAN CITY LAND AND FUR COMPANY, LLC**, a Louisiana Limited Liability Company, and that said instrument was signed on behalf of said Company by authority of its Articles of Organization and said **CAMILLE A. CUTRONE** acknowledged that he executed same as the free act and deed of said Company.

______________________________________
**NOTARY PUBLIC**

## NOTARIAL ACKNOWLEDGMENT

**STATE OF TEXAS**

**COUNTY OF HARRIS**

On this 10th day of February, 2014, before me, the undersigned authority,

**PERSONALLY CAME AND APPEARED:**

**J.Q. DELAP,**

known to me to be the person described in and who executed the foregoing instrument, as the Chairman of **LOUISIANA LNG ENERGY, LLC**, a Texas Limited Liability Company, and that said instrument was signed on behalf of said Company, and said J.Q. DELAP acknowledged that he executed same as the free act and deed of said Company.

KIMBERLY B MATHIS
NOTARY PUBLIC
STATE OF TEXAS
EXPIRES
10-04-2015

Kimberly B. Mathis
______________________________________
**NOTARY PUBLIC**